

**Viola Brands Written Testimony
SB0516 Hearing – Thursday, March 9, 2023**

Viola Brands is the **country's only black-owned multi-state operator with licenses in five states and Canada**. Founded by cannabis veteran Daniel Pettigrew and former NBA star, **Al Harrington**, Viola has **over 10 years' experience in the cannabis industry**. Our mission is to increase minority participation and ownership while positively impacting and reinvesting into communities most affected by the war on drugs. Here, in Maryland, we are **one of the HB2 pre-approved cultivators** and are eager to bring our award-winning products to Maryland consumers.

We appreciate the efforts of the Maryland General Assembly and want to thank Senators Feldman and Hayes for their leadership on this important piece of legislation. This is not an easy task, and we recognize the challenges are serving multiple audiences while still delivering an equitable, economically stable, and operationally viable cannabis industry. While we agree with several provisions in SB0516, including the program start date of July 1, 2023, please consider the following areas of concern.

Since HB2 awards were made in 2020, it has been a very difficult, and expensive, market to raise capital for licensed cannabis operations. This is of note given our status as an established multi-state player and minority-owned business. Thus, we caution this body to recognize that like us, many of the HB2 pre-approved licensees are not yet operational due to this lack of access to capital issue. **This constraint is not ceasing and if established players like us are struggling, it will be virtually impossible for start-ups to obtain the necessary financing to launch a cannabis business across any type of license.**

1. DISPENSARY OWNERSHIP

We do not agree with the proposed reduction of dispensary ownership from four to two licenses. This change only removes generational wealth creation for diverse entrepreneurs who may look to their home state to build local chains. This measure also removes the consumer from the conversation limiting their choice for a meaningful retail experience.

As the state looks to increase diverse ownership in the cannabis industry, **we propose that up to four dispensary licenses be allocated to all HB2 pre-approved cultivators.** Not only would a dispensary award, align with 2016 cultivation awards, this **would provide up to 16 minority-owned dispensary operations**, dramatically **increasing inclusive participation** and creating a model in Maryland other states could emulate.

With the above considered, we ask that the proposed ownership reverts to the existing law:

(I) FOR STANDARD LICENSES AND MICRO LICENSES:

- 1. ONE GROWER LICENSEE; WITH GROWER LIMITED TO ONE PHYSICAL LOCATION REGARDLESS OF CANOPY SIZE.**

2. ONE PROCESSOR LICENSEE; AND
3. NOT MORE THAN ~~TWO~~ **FOUR** DISPENSARY LICENSEES;

2. CANOPY & LICENSING

The proposed canopy of 300,000 sq ft is in far excess of what the Maryland market will require and will only lead to oversupply, price compression and diversion to the illicit market. As an operator in five states, we have seen this mistake play out multiple times over and caution this body to avoid similar fate. The legal cannabis industry requires a **delicate balance of supply and demand to ensure business can be a vehicle for robust job creation, meaningful tax revenue and generational wealth creation for entrepreneurs.**

It is important to also note that the **stated canopy number of 300,000 sq ft sends a negative shockwave to the investor community shutting off the pipeline of capital** for existing and future licensees. This issue is only further compromised by the total number of licenses proposed in the bill. The canopy and license numbers are a recipe for economic disaster, as such investors will not support operations in this State.

To best ensure a diverse, equitable and prosperous program, we recommend the following changes:

Page 37 lines 4-6 (*and all other appearances in the bill*)

(C)(A)(1) A STANDARD LICENSE AUTHORIZES THE HOLDER OF THE LICENSE:

- (I) FOR GROWERS, TO OPERATE MORE THAN 10,000 SQUARE FEET, BUT NOT MORE THAN ~~[300,000]~~ **100,000** SQUARE FEET, OF INDOOR CANOPY, **GREENHOUSE CANOPY**, OR ITS EQUIVALENT, AS CALCULATED BY THE DIVISION.

3. TRANSFER OF OWNERSHIP

The current draft removes a licensee's ability to transfer or sell their license for five years – this should be removed. The cannabis industry is a very volatile space and locking up an operator for five years could create more economic harm than help. **With a focus on generational wealth creation, not allowing a licensee to exit their business at a time that is most beneficial to them dramatically restricts their return on investment.** Consider that with a five year lock out, licenses will be eligible for sale, at the same window of time, further reducing the value a licensee has created. **We believe the General Assembly is looking to build wealth for new and diverse licensees and the proposed language would be harmful to this goal.**

With above considered, we ask that you remove the following language:

Page 57 Lines 4-7

~~(C) (1) A CANNABIS LICENSEE, INCLUDING A CANNABIS LICENSEE WHOSE LICENSE WAS CONVERTED IN ACCORDANCE WITH § 36-401 OF THIS TITLE, MAY NOT TRANSFER OWNERSHIP OR CONTROL OF THE LICENSE FOR A PERIOD OF AT LEAST 5 YEARS FOLLOWING LICENSURE.~~

4. ADVERTISING

This **bill contemplates increasing advertising restrictions** with the addition of adult use market. The medical program has **existed for five years under a very reasonable set of advertising regulations and without issue**. Further restricting advertising will **inhibit new and diverse operators from effectively and appropriately marketing their businesses**, particularly given they will be competing against established players.

Therefore, we kindly request that proposed policy is replaced with existing regulations:

Page 65 Lines 16-18

~~(4) ENGAGE IN ADVERTISING BY MEANS OF PLACING AN ADVERTISEMENT ON THE SIDE OF A BUILDING OR ANOTHER PUBLICLY VISIBLE LOCATION OF ANY FORM, INCLUDING A SIGN, A POSTER, A PLACARD, A DEVICE, A GRAPHIC DISPLAY, AN OUTDOOR BILLBOARD, OR A FREESTANDING SIGNBOARD.~~

Current guidance on signage: DO NOT place ads within 500 feet of a: School, Licensed Child Care Facility (including registered home childcare centers), Substance Abuse or Treatment Facility, Library or Recreation Center, Public Park, or Playground (This does not apply to ads placed on property owned or leased by a grower, processor, or dispensary).

Over the past 10 years, Viola has built successful cannabis operations across the US and Canada. **As an HB2 pre-approved cultivator**, we are excited to bring our brand to Maryland and we hope our operations will be given the same level of focus and respect in this new program as they were in the creation of House Bill 2 and subsequent awards. **We represent a meaningful expansion of minority participation in this State. We ask that the General Assembly assures legislation that allows us and future licensees to realize this economic opportunity.**

For more information, please contact:

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